

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: IOWA TELECOMMUNICATIONS SERVICES, INC.	DOCKET NO. RPU-01-7 (TF-01-159)
---	------------------------------------

ORDER DOCKETING TARIFF FOR INVESTIGATION

(Issued June 29, 2001)

On June 1, 2001, Iowa Telecommunications Services, Inc., d/b/a Iowa Telecom (Iowa Telecom), submitted a proposed tariff revision concerning its Premium Calling Plan. The Premium Calling Plan was established by Iowa Telecom's predecessor to satisfy customer demand for extended local calling, reduce customer pressure for EAS, and avoid potential rate increases for customers who are satisfied with their existing local calling scope. The plan allowed for an expanded local calling area of a 30-mile radius for an additional non-usage sensitive charge. The plans were offered to 25 exchanges in 1997 and extended to an additional 268 exchanges through various filings through 2000.

Iowa Telecom states that a disproportionately high percentage of usage is caused by a small percentage of customers. The filing would establish usage limits on the Premium Calling Plan. The current tariff has no limit and the proposal would place a limit of 10,000 minutes per month. Minutes in excess of this limit would be billed at \$.09 per minute. The current flat rate per month, \$25 per month per line for

Residential and \$50 per month per line for Business, would remain the same. Iowa Telecom notified its customers of this proposal.

The Board has received more than 140 residential and 6 business complaints as of the date of this memo. One request, from Cal-Net, Inc. (Cal-Net), was filed on June 13, 2001, and requested a 60-day extension of the July 1, 2001, proposed effective date.

Iowa Telecom projects that the result of this filing would result in a revenue increase of approximately \$7,060 per month or \$84,720 per year. This projection is necessary to meet the requirements of Iowa Code § 476.97(11)"e"(3), which provides that a price-regulated local exchange carrier cannot increase its aggregate revenue-weighted prices for nonbasic communications services by more than 6 percent in any 12-month period. Iowa Telecom currently operates under price regulation pursuant to § 476.97(11) and Iowa Telecom characterizes the Premium Calling Plan as a nonbasic communications service. If this is a nonbasic communications service, it is necessary to project the revenue effect of the proposed tariff change in order to determine whether it exceeds the 6 percent cap on aggregate revenue increases for nonbasic services. If, instead, the plan is a form of deregulated interexchange communications, it should be removed from Iowa Telecom's tariff altogether.

As support for its calculation, Iowa Telecom states that a small percentage of customers for this service have disproportionately high usage. Iowa Telecom's projected revenue increase assumes that many of these customers would no longer subscribe to Premium Calling Plan if the proposed tariff is approved.

A closer review of the usage data shows a small number of customers with monthly usage exceeding 70,000 minutes of use, which exceeds the total minutes available in a typical 30-day month (43,200 minutes). These customers use the Premium Calling Plan in combination with other Iowa Telecom services to create multiple calls on the network at any particular point in time, with the result that they may use more than a month's worth of service in any particular month. Iowa Telecom's proposed 10,000 minute limit corresponds to approximately 167 hours per month. In calculating the projected revenue impact from the proposed tariff revision, Iowa Telecom has assumed that these customers would terminate their Premium Calling Plans in favor of other, more economical options.

This assumption is indirectly supported by the objection filed by at least one existing Premium Calling Plan customer. As noted above, Cal-Net filed a request for a 60-day extension of the July 1, 2001, implementation date. Cal-Net, an Internet service provider, states that it would need that time to migrate to another form of phone service in order to serve its Internet customers in Lake City and Lohrville. Cal-Net estimates it would incur bill increases of approximately \$50,000 per month until it can make other arrangements if the requested extension is not granted.

The Board is concerned about the regulatory status of this service and Iowa Telecom's revenue impact assumptions and will suspend the tariff and docket it for further investigation of these issues. The proposed tariff revision would result in a major revenue increase if it is assumed that all existing customers will remain on the plan (which would be consistent with the manner in which revenue changes for

nonbasic service rate increases are normally calculated). However, the assumption of reduced usage levels is at least indirectly supported by Cal-Net's request for a 60-day stay to allow it to move from this plan to some other option.

Finally, with respect to Cal-Net's request for a 60-day extension of the July 1 deadline, it is unnecessary for the Board to rule on that request at this time, given the Board's action in suspending and docketing this tariff.

IT IS THEREFORE ORDERED:

1. The proposed tariff revision filed by Iowa Telecommunications Services, Inc., on June 1, 2001, identified as TF-01-159, is suspended and docketed for investigation pursuant to the authority of Iowa Code § 476.97 (2001).
2. The Board will issue a subsequent order establishing a procedural schedule in this matter.

UTILITIES BOARD

/s/ Allan T. Thoms

ATTEST:

/s/ Judi K. Cooper
Acting Executive Secretary

/s/ Diane Munns

Dated at Des Moines, Iowa, this 29th day of June, 2001.